

# 1 Introduction

In the report, a variety of factors that influence the conversion, or preservation, of farmland in OECD countries is considered. The stock of farmland shows slow declines in all countries, but this decline is considerably slower than might be expected given pressures for conversion of farmland to urban uses near cities, and persistent low levels of return available to farmers operating in more remote areas that are less favorable for agriculture. This suggests that while market forces are important in defining land use, there are other forces at work as well. Notably, these are: agricultural policy that alters the returns from agricultural activity, environmental policy that imposes restrictions on the way farmland is used to ensure that the natural environment is protected, and land use policy that determines which types of land use will be allowed by society on specific parcels.

The combination of market forces and policies shape the use of farmland in all countries. The particular patterns of land use depend on the specific mix of economic factors and policy in place in each country. In the case of economic forces the most important pressures are population growth, levels of income and wealth, and the cost of transport. From a policy perspective the important issues are social demands for support for farmers, protection of the environment and the desirability of maintaining a compact urban form.

The central idea of the report is that agriculture is fundamentally a spatially specific activity. Both the returns from agriculture and the opportunity costs of keeping land in agriculture vary across space. To examine these differences a typology of three agricultural land categories is developed. The first is the urban fringe or peri-urban zone found at the edge of a city. In this zone urban activity has a strong influence on land uses and on the nature of farming, even in those countries where there are strong restrictions on converting farmland to other uses. The second, or agricultural core zone, comprises the majority of agricultural land in most countries. In this zone farmland has very low opportunity costs and the chance of market forces causing significant changes in land use are low. Returns from farming are high enough to keep the land in agriculture and there is little urbanization pressure. The third zone is the far, or extensive, margin. In this zone agriculture is a marginally profitable activity and declines in the return from farming cause production to end. If the urban fringe faces pressure to convert farmland to a higher value use, the issue at the far margin is whether agriculture can be sustained. If it cannot, then land will revert to a less intensively managed use, such as forests or native ground cover.

Given the typology, conversion of farmland is fundamentally a problem only at the urban fringe and the far margin. By definition in the agricultural zone, while the particular use of land in terms of the agricultural commodity produced may change or the operator of the farm may change, the land itself will remain in farming. However while the majority of farmland may, in most countries, be in this agricultural zone, there is great interest in what happens to farmland at both the urban fringe and at the far margin. Depending on the specific country these two zones can account for a large number of farms and a considerable share of farmland. Moreover these two zones produce a disproportionately large share of the non-commodity outputs of agriculture.

## 1.2. Structure of the report

The OECD has a long-standing interest in changes in farm-land use and several studies have been produced on specific aspects of its development. The most recent study of the subject (OECD, 2008a), assesses the consequences of inflated asset values and suggests lessons for future policymaking. An earlier report, (OECD, 1998b), examines the issues associated with land mobility and the capitalisation of support. The environmental effects of reforming agricultural policies – including the changes in land use, farming practices and inputs are analysed in a report which examines concrete policy experiences from OECD countries (OECD, 1998c). The environmental effects of land diversion schemes are examined in relation to the experiences in these schemes of Canada, the European Union, Japan, Switzerland and the United States (OECD, 1997). An earlier study discusses the issues attached to land abandonment (OECD, 1999b).

OECD work on multifunctionality (OECD, 2003a; 2003b), including the 2006 Workshop on Evaluating the Degree of Jointness (OECD, 2008b), as well the numerous studies undertaken by the Directorate for Public Governance and Territorial Development on the subject of rural amenities (OECD, 1998d; 1999a; 2000; 2002; 2006b) have examined issues related to the provision of the land-based rural amenities associated with agriculture. In addition, the likely impacts on output and environmental issues relating to arable crops land use of agricultural policies and policy reform, including multilateral trade liberalisation environmental issues, were analysed in the Arable Crop Study (OECD, 2005).

Land use is an extremely broad topic. This study analyses the effects of diverse policies on farmland conversion. Within this broad remit there are four main objectives to:

- Examine issues related to the conversion of agricultural land in three spatial zones – the urban fringe; the far, or extensive, margin; and the core agricultural zone;
- Assess how various agricultural and land-use management policies influence farmland conversion in the three zones;
- Look at country/regional experiences and provide up-to-date information on a range of policy measures in diverse rural areas, across OECD countries, that have a bearing on farmland conversion and the provision of countryside environmental amenities;
- Draw implications for policy design and policy coherence.

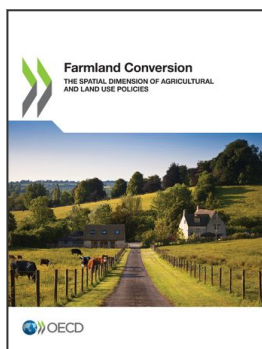
The motivation for this study stems from the OECD Workshop, held in October 2005 in Bratislava, on the *Coherence of Agricultural and Rural Development Policies*, during which monitoring and evaluation of the impact of agricultural policies and policy reform on rural development was identified as one of the key issues meriting more analysis (OECD, 2006).

The report is structured as follows:

- Chapter 2 discusses the economic theory of the spatial allocation of agricultural land-use in three spatial zones – the urban fringe, the far (or extensive) margin and the core agricultural zone.
- Chapter 3 examines the extent to which conversion of agricultural land-use in the three zones has been influenced by different types of agricultural policies.
- Chapter 4 examines how various rural land management policies (e.g. land-use and rural development policies) influence farmland conversion in the three zones. The distinction between this and Chapter 3 is that these policies are typically not part of the core set of agricultural policies. There is, however, a growing convergence between the two sets of policies, as farm policy is steadily broadened to take into consideration agri-environmental impacts.
- Chapter 5 provides a variety of country/regional examples from both traditional agricultural and non-agricultural land management policies (e.g. zoning, purchase of development rights, private contracts, integrated approaches, etc.), which serve as specific, country examples of ways to mitigate

farmland conversion. These include the experiences of Australia, Belgium, Canada, Finland and the Netherlands.

- Chapter 6 draws together the main findings of the analysis.
- Annex A describes the traditional von Thunen model provides an examination of how fuzzy boundaries develop and examines their implications, including the role of part-time farming.
- In Annex B, a review of basic ideas in spatial economics as they apply to rural areas is undertaken, to establish the larger context for the discussion is provided.



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